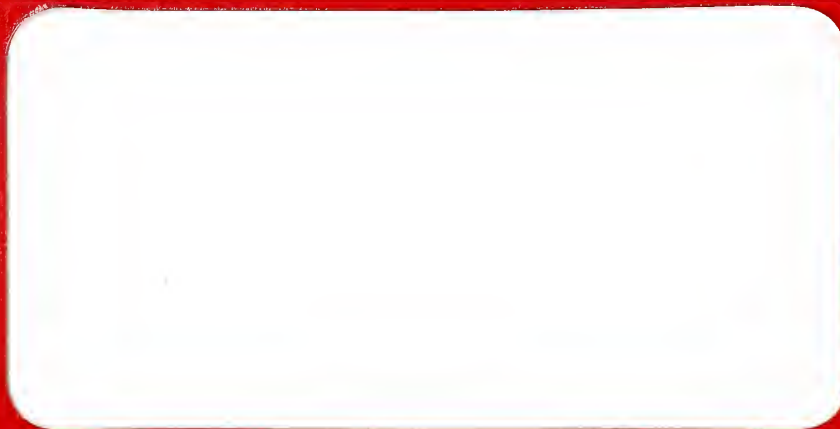


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C.2

MARKETING MINICOMPUTERS FOR
ENGINEERING/SCIENTIFIC APPLICATIONS



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Marketing Minicomputers for	
Engineering/Scientific Applica-	

MARKETING MINICOMPUTERS FOR
ENGINEERING/SCIENTIFIC APPLICATIONS

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IBM
DATA PROCESSING PRODUCT GROUP

Prepared by: INPUT

July 1980

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SCOPE OF PROJECT

- USING BEST EFFORTS, STUDY FIVE COMPANIES, I.E., DEC, DG, H-P, PRIME AND PERKIN-ELMER, TO DETERMINE WHY AND HOW THEY ARE SUCCESSFUL IN THE SMALL ENGINEERING AND SCIENTIFIC MARKET

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STUDY METHODOLOGY

- DIRECT VENDOR CONTACT
- SECONDARY RESEARCH

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RESULT
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- DELIVERED IN PRESENTATION FORM TO IBM IN
HARRISON ON JULY 14, 1980

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MARKET

- 1979 WORLD-WIDE SHIPMENTS ESTIMATED AT 138,000 UNITS WORTH APPROXIMATELY \$3.9 BILLION, INCLUDES MAINFRAME, PERIPHERALS, SOFTWARE, SERVICE
 - MARKET SHARE ON FOLLOWING CHARTS SHOWS OEM IN UNITS FOR ENTIRE MARKET, END USER IN DOLLAR REVENUE FOR ENTIRE MARKET, INTERNATIONAL SALES AS A PERCENT OF TOTAL COMPANY REVENUE AND UNITS SHIPPED
- 1984 WORLD-WIDE SHIPMENTS ESTIMATED AT 270,000 to 382,000 UNITS WORTH APPROXIMATELY \$16 BILLION
- PROJECT REVENUE TRENDS AND MARKET SEGMENTATION FOR 1979 TO 1984 SHOW 65% OEM/35% END USER WITH REVENUE DECLINING FROM 41% TO 38% FOR OEM AND REVENUE INCREASING FROM 59% TO 62% FOR END USERS

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DIGITAL EQUIPMENT CORPORATION - THE MARKET LEADER

- MARKET SHARE - 49% OEM - 36% END USER
- INTERNATIONAL SALES - 38% REVENUE - 28% UNITS
- STRENGTHS
 - FIRST DEVICE IN 1960
 - DOMINANT MARKET SHARE
 - "DARLING OF THE UNIVERSITY SET"
 - DEFACTO STANDARD FOR MINIS
 - DIVERSIFICATION OF MARKETS
 - UPWARD COMPATABILITY
 - MANUFACTURING
 - DISCOUNT STRUCTURE
 - COMMUNICATIONS KNOWLEDGE
 - STRONG CUSTOMER BASE
 - REPUTATION

INPUT

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DEC - THE MARKET LEADER (CONT.)

- WEAKNESSES

- ORDER LEAD TIME
- INTERNAL CONFLICTS OF INTEREST DUE TO ORGANIZATION
- SOFTWARE
- SOME BEGINNINGS OF LARGE COMPANY ATTITUDE

- MARKET THRUST

- END USER SALES
- RETAIL STORE
- COMMUNICATIONS -- NEW USERS

INPUT

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DEC - THE MARKET LEADER (CONT.)

- MAIN MARKETS AND DISTRIBUTION METHOD

- DIRECT SALES

- . UNIVERSITIES AND INSTITUTIONAL LABS
 - . MEDICAL AND HOSPITALS
 - . EDUCATIONAL INSTITUTIONS
 - . GOVERNMENTS
 - . TELEPHONE AND UTILITY

- OEM SALES

- . ELECTRONIC TEST EQUIPMENT
 - . PROCESS CONTROL
 - . COMMUNICATION EQUIPMENT
 - . NAVIGATION AND GUIDANCE
 - . MEDICAL APPARATUS

INPUT

Y-Q12

DEC - THE MARKET LEADER (CONT.)

- MAIN MARKETS AND DISTRIBUTION METHOD (CONT.)

- SYSTEM INTEGRATORS

- . SCIENTIFIC AND ENGINEERING
- . COMMERCIAL BUSINESS
- . INDUSTRY SPECIFIC PACKAGES

- AUTHORIZED DISTRIBUTORS

- . BETTER OEM CLIENTS
- . USE OF LOGO
- . COOPERATIVE ADVERTISING

INPUT

Y-Q12

DEC - THE MARKET LEADER (CONT.)

● MAIN MARKETS AND DISTRIBUTION METHOD (CONT.)

- RETAIL STORES

- . 18 STORES AT 12/31/79
- . SELL SMALL BUSINESS
- . STANDARD SOFTWARE ONLY
- . MODIFIED SOFTWARE REFERRED TO COMMERCIAL
OEM OR DISTRIBUTOR

- CATALOG SALES

- . 25,000 ITEMS
- . SPARE PARTS
- . SUPPLIES
- . SOME MODULES

INPUT

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HEWLETT PACKARD - ITS OWN WORLD

- MARKET SHARE - 7% OEM - 17% END USER
- INTERNATIONAL SALES - 47% REVENUE - 56% UNITS
- STRENGTHS
 - WELL KNOWN IN ENGINEERING CIRCLES DUE TO INSTRUMENT BACKGROUND
 - QUALITY PRODUCT
 - CORPORATE IMAGE
 - RELIABILITY
 - EASE OF PROGRAMMING
 - EASE OF USE
 - DBMS
 - STRONG INTERNATIONAL BASE
 - SIGNIFICANT VERTICAL INTEGRATION
 - GOOD SMALL BUSINESS MACHINE
 - LARGE TERMINAL BUSINESS
 - SERVICE AND MAINTENANCE
 - HEAVY VALUE ADDED
 - CUSTOMER TRAINING
 - STRONG OEM RELATIONSHIPS
 - GOOD SALES PERSONNEL

INPUT

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HEWLETT PACKARD - ITS OWN WORLD (CONT.)

- WEAKNESSES

- VERY HIGH PRICE
- LACK OF UNBUNDLING
 - FREE SOFTWARE
- LONG DELIVERY
- STRONG NIH

- MARKET THRUST

- END USERS
- RETAIL FOR PERSONAL COMPUTERS
- TECHNICAL OEM's

INPUT

Y-Q12

HEWLETT PACKARD - ITS OWN WORLD (CONT.)

- MAIN MARKETS AND DISTRIBUTION METHODS

- DIRECT SALES

- . MANUFACTURING

- . SCIENTIFIC

- . HEALTH CARE

- . DDP

- OEM's

- . LABORATORY AUTOMATION

- . TIMESHARING

- . GENERAL SCIENTIFIC AND ENGINEERING

INPUT

Y-Q12

HEWLETT PACKARD - ITS OWN WORLD (CONT.)

- NEW APPLICATION AREAS

- CAD

- ADVERTISING

- LARGE AD BUDGET, GOOD RESULTS
- USE DIRECT MAIL TO INTRODUCE NEW PRODUCTS
- USE LOCAL DIRECT MAIL TO STIMULATE SALES

- SALES FORCE

- \pm 2,000 SALESMEN
- TYPICALLY EE, COMPUTER SCIENCE WITH MBA
- . NEW HIRE MIX - 45% EXPERIENCED BUT NOT IN SALES; 27% SALES EXPERIENCE OTHER COMPUTER COMPANIES; 27% DIRECT FROM COLLEGE

INPUT

Y-Q12

HEWLETT PACKARD - ITS OWN WORLD (CONT.)

- SALES FORCE (CONT.)

- COMPENSATION = \$25K BASE PLUS COMMISSION
TARGETED AT TWO TO THREE TIMES BASE
- HIGH TURNOVER
- TRAINING THREE TO TWELVE MONTHS

- MARKET APPROACH

- NO DIFFERENCE IN MACHINE SIZE
- ACCOUNT SIZE, OVER ONE BILLION HAVE A
TECHNICAL AND COMMERCIAL, UNDER ONE BILLION
HAVE EITHER

INPUT

Y-Q12

HEWLETT PACKARD - ITS OWN WORLD (CONT.)

- MACHINE OFFERED
 - MODIFIED WITH FEATURES
- ROOTS OF COMPANY SUCCESS
 - REPUTATION AMONGST ENGINEERS BASED ON INSTRUMENTATION AND OTHER PRODUCTS

INPUT

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DATA GENERAL - A DEC "ME TOO" PLUS MARKETING

- MARKET SHARE - 15% OEM - 7% END USER
- INTERNATIONAL SALES - 31% REVENUE - 30% UNITS
- STRENGTHS:
 - TOUGH COMPETITOR
 - UPWARD COMPATABILITY
 - BROAD PRODUCT LINE
 - GOOD FINANCIAL CONTROLS
 - EMPHASIS ON TECHNOLOGY
 - OEM DEDICATION

INPUT

Y-Q12

DATA GENERAL - A DEC "ME TOO" PLUS MARKETING (CONT.)

- WEAKNESSES:

- LACK OF INNOVATION IN PRODUCTS
- COMMUNICATION PRODUCTS
- UNABLE TO RETAIN BRANCH MANAGERS
- MANY LAWSUITS

- MARKET THRUST:

- OEM
- END USER VIA SOFTWARE APPLICATION PACKAGES

INPUT

Y-Q12

DATA GENERAL - A DEC "ME TOO" PLUS MARKETING (CONT.)

- MAIN MARKETS AND DISTRIBUTION METHODS

- DIRECT SALES
 - . OEM
 - . SYSTEMS INTEGRATORS
 - . GOVERNMENT
 - . SCIENTIFIC
 - . TIMESHARE
- RETAIL/DEALERS
 - . MICRO LINE
 - . SMALL END LINE
- INDUSTRIAL DISTRIBUTORS
 - . NO VALUE ADDED

INPUT

Y-Q12

DATA GENERAL - A DEC "ME TOO" PLUS MARKETING (CONT.)

- MAIN MARKETS AND DISTRIBUTION METHODS (CONT.)

- SYSTEMS INTEGRATORS

- . BUY ENTIRE PRODUCT FROM DG

- . COMMERCIAL OUTLET

- . SOFTWARE VALUE ADDED

- HARDWARE OEMS

- . BUY PIECES FROM DG

- . APPLICATIONS - PROCESS CONTROL,
DATA COMMUNICATIONS, INSTRUMENTATION,
SCIENTIFIC AND TIMESHARE

INPUT

Y-Q12

DATA GENERAL - A DEC "ME TOO" PLUS MARKETING (CONT.)

- NEW APPLICATION AREAS

- COMPUTER-AIDED DEMOGRAPHICS
- BRAIN/BODY SCANNERS
- CAD

- ADVERTISING

- BROAD BASE MAGAZINE (NOT TRADE JOURNALS)
- DIRECT MAIL
- ADS EFFECTIVE IF INCLUDES NEW OFFERING

- SALES FORCE

- 673 SALES/ENGINEERS
- COMBINATION BUSINESS AND TECHNICAL
- NO SPECIFIC CHARACTERISTICS

INPUT

Y-Q12

DATA GENERAL - A DEC "ME TOO" PLUS MARKETING (CONT.)

- MARKET APPROACH

- NO DIFFERENCE FOR LARGE MACHINES VERSUS SMALL
- DIFFERENT MACHINES EMPHASIZED IN SPECIFIC MARKET SEGMENTS

- MACHINE OFFERED

- MANY ENGINEERING/SCIENTIFIC USERS WANT COMMERCIAL AS WELL
- "S" SERIES HAS SUBSET OF "C" SERIES FOR COMMERCIAL
- MV8000 HAS FULL INSTRUCTION SET FOR "S" AND "C"

- ROOTS OF COMPANY SUCCESS

- BETTER OEM THAN DEC

INPUT

Y-Q12

PERKIN-ELMER - "INTERDATA SURVIVES IN SPITE OF..."

- MARKET SHARE - 2% OEM > 1% END USER
- INTERNATIONAL 45% REVENUE - 20% UNITS
- STRENGTHS
 - INDUSTRY FIRST 32 BIT SUPERMINI
 - LARGE INSTALLED BASE
 - GOOD PRICE/PERFORMANCE
 - UPWARD COMPATABLE LINE
 - GOOD EQUIPMENT
 - HIGH RELIABILITY
 - STRONG SPECIFIC OEM FOLLOWING
 - GOOD MARKET NICHE PENETRATION

INPUT

Y-Q12

PERKIN-ELMER - "INTERDATA SURVIVES IN SPITE OF..." (CONT.)

- WEAKNESSES

- PERKIN-ELMER
- LACK OF CORPORATE SUPPORT
- HIGH PERSONNEL TURNOVER
- LAGGING PRODUCT INTRODUCTION
- LITTLE USER SOFTWARE OR DBMS
- WHAT TO SELL AFTER EVERYTHING IN THE WORLD HAS BEEN SIMULATED?

- MARKET THRUST

- REAL TIME SIMULATION

INPUT

Y-Q12

PERKIN-ELMER - "INTERDATA SURVIVES IN SPITE OF..." (CONT.)

- MAIN MARKETS AND DISTRIBUTION METHODS

- DIRECT SALES

- . OEM
 - . MILITARY
 - . AEROSPACE
 - . NASA
 - . SCIENTIFIC
 - . SIMULATION

INPUT

Y-Q12

PERKIN-ELMER - "INTERDATA SURVIVES IN SPITE OF..." (CONT.)

- NEW APPLICATIONS

- IMAGE PROCESSING
- COMPUTER-AIDED DEMOGRAPHICS
- CAD/CAM
- SIESMIC

- ADVERTISING

- TRADE PUBLICATIONS ONLY
- NO DIRECT MAIL
- GOOD HIT RATIO ON ADS

- MARKET APPROACH

- LARGE MACHINES ARE SOLD ON PERFORMANCE
- SMALL MACHINES ARE SOLD ON PRICE/PERFORMANCE

INPUT

Y-Q12

PERKIN-ELMER - "INTERDATA SURVIVES IN SPITE OF..." (CONT.)

- MACHINE OFFERED
 - INSTRUCTION SET FEATURE DIFFERENCES
- ROOTS OF COMPANY SUCCESS
 - BEST PRODUCT AND REPUTATION IN REAL-TIME AND SIMULATION

INPUT

Y-Q12

PRIME -- "MARKETING CARRIES THE DAY"

- MARKET SHARE - >1% OEM - 4% END USER
- INTERNATIONAL SALES - 40% REVENUE - 45% UNITS
- STRENGTHS:
 - CONTINUING PRODUCT INTRODUCTION
 - AGGRESSIVE, DIRECT SALES FORCE
 - RAPID GROWTH
 - GOOD PROFITS
 - EXCELLENT BUSINESS ORIENTED MANAGEMENT
 - OVERSEAS DISTRIBUTION
 - 40% OF EMPLOYEES ARE IN SALES/MARKETING
 - IMPRESSIVE PENETRATION OF SCIENTIFIC/ ENGINEERING MARKET

INPUT

Y-Q12

PRIME -- "MARKETING CARRIES THE DAY" (CONT.)

• WEAKNESSES:

- SMALL INSTALLED BASE
- NO OEM PENETRATION
- 50% INTERACTIVE PROCESSING THAT FALLS IN LINE WITH IBM 4300 AND DEC VAX

INPUT

Y-Q12

PRIME -- "MARKETING CARRIES THE DAY" (CONT.)

- MARKET THRUST

- GENERAL PURPOSE
- MARKETING ORIENTED DATA PROCESSING COMPANY
- "SOFTWARE FIRST"

- MAIN MARKETS AND DISTRIBUTION METHODS

- DIRECT SALES (ADVANCED AND LARGE USERS)
 - . SCIENTIFIC/ENGINEERING
 - . BUSINESS APPLICATIONS
 - . DDP
 - . DATA ACQUISITION
 - . EDUCATION

INPUT

Y-Q12

PRIME -- "MARKETING CARRIES THE DAY" (CONT.)

• MAIN MARKETS AND DISTRIBUTION METHODS (CONT.)

- OVERSEAS DISTRIBUTORS
- JOINT MARKETING VENTURES
 - . SOFTWARE COMPANIES
- DEALER PROGRAM
 - . 21 DEALERS AT 12/31/79
 - . EQUIPMENT MAINTAINED BY PRIME FIELD ENGINEERS

INPUT

Y-Q12

PRIME -- "MARKETING CARRIES THE DAY" (CONT.)

- NEW APPLICATION AREAS

- MASS TRANSIT
- CAD
- PC DESIGN (CAM)

- ADVERTISING

- TRIED ALL APPROACHES WITH POOR RESULTS

- SALES FORCE

- 250 SALESMEN
- NO SPECIFIC DEGREES

- MARKET APPROACH

- LARGE SYSTEMS SOLD ON PERFORMANCE
- SMALLER SYSTEMS SOLD ON PRICE/PERFORMANCE

INPUT
Y-Q12

PRIME -- "MARKETING CARRIES THE DAY" (CONT.)

- MACHINE OFFERED
 - FEATURE CHANGES FOR SCIENTIFIC OR COMMERCIAL
- ROOTS OF COMPANY SUCCESS
 - SALES/MARKETING

INPUT

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IBM
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• STRENGTHS

- SHEER SIZE
- FINANCIAL RESOURCES
- LOYAL MARKET PLACE
- CORPORATE IMAGE
- SYSTEM VERSATILITY
- SERVICE/MAINTENANCE
- S/2 THREAT
- GOOD COME FROM BEHIND COMPANY

INPUT
Y-Q12

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IBM (CONT.)
==

• WEAKNESSES:

- LACK OF CORPORATE COMMITMENT TO SOLVE THE MINI PROBLEM
- DON'T LIKE OEM
- DON'T UNDERSTAND OEM
- DON'T WANT OEM
- LACK OF OEM-TYPE SOFTWARE (LIKE DEC/DG)
- SMALL INSTALLED BASE
- OEM PRICING DISCOUNTS
- NOT STATE OF THE ART TECHNOLOGY
- FRACTURED MARKET APPROACH
 - . S/1
 - . 8100
 - . 4300
- NO IMAGE IN SMALL SCIENTIFIC/ENGINEERING
- SALESMAN CAN'T BREATHE OUTSIDE OF THE AIR CONDITIONED ROOM
- DON'T LIKE INNOVATORS

INPUT

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RANKING FACTORS FOR ENGINEERING/SCIENTIFIC

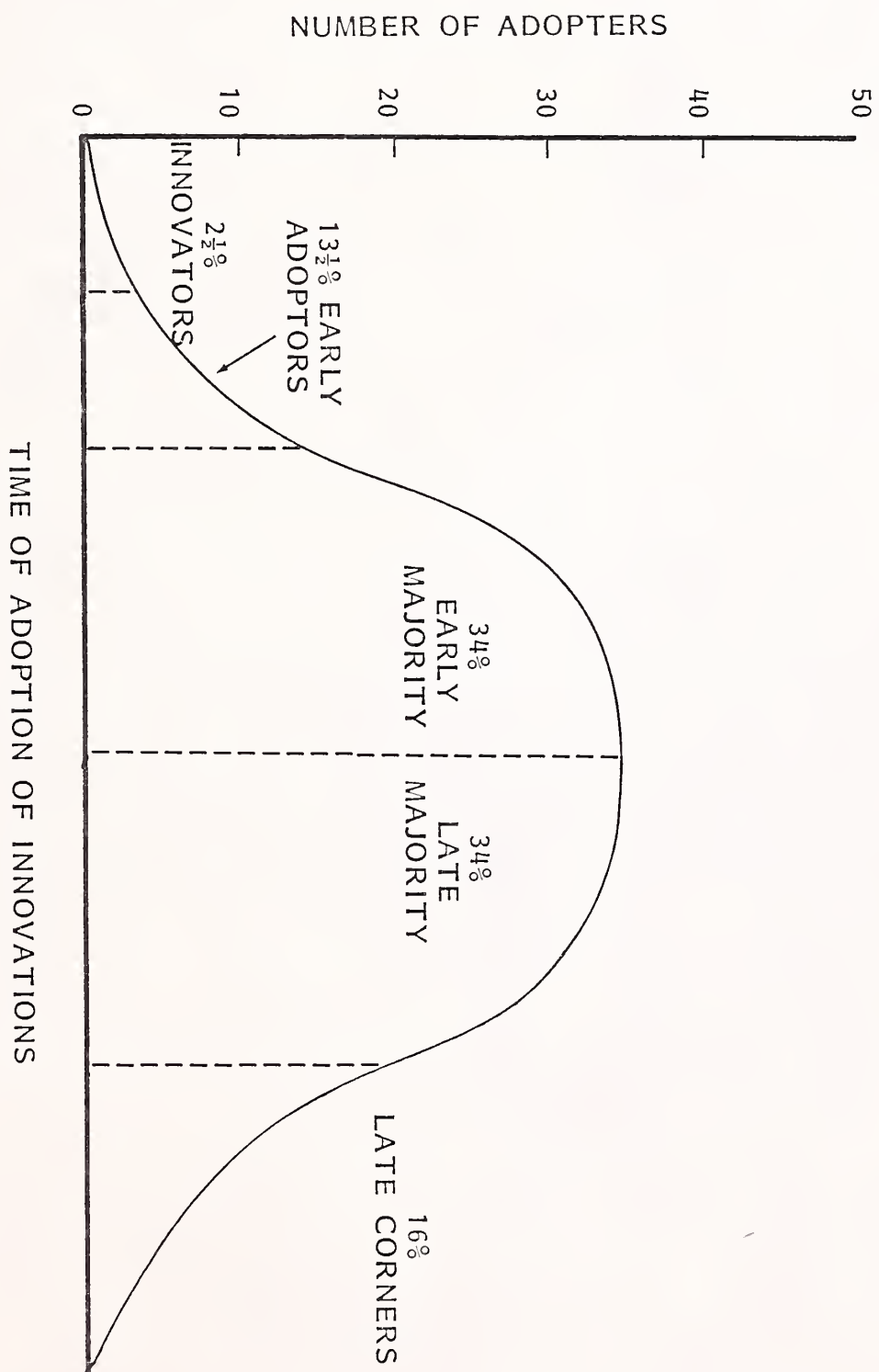
	<u>DEC</u>	<u>DG</u>	<u>H-P</u>	<u>PRIME</u>	<u>PERKIN- ELMER</u>
PRICE/PERFORMANCE	5	5	5	3	5
OS/LANGUAGE	4	4	4	4	4
APPLICATIONS	2	1	1	0	1
SALES FORCE	3	5	4	5	2
SERVICE	4	2	4	1	3
REPUTATION	5	4	5	4	4

NOTE: 5 = HIGH, 1 = LOW

INPUT

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CUSTOMER ADOPTION PROCESS



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